

## A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

# Back Pay Settlements and Retirement Credit

Public Employees' Retirement System • Teachers' Pension and Annuity Fund  
Police and Firemen's Retirement System • State Police Retirement System

## AWARDS OF BACK PAY

A member who appeals the suspension or termination of his or her employment and is awarded back pay for all or a portion of such suspension or termination, shall receive retirement credit for the period covered by the award. This retirement credit is given regardless of the amount of back pay awarded, provided that the full normal employee pension contribution is received from the member or deducted from the value of the award.

The amount of the pension contribution will be determined by the provisions of the award.

1. If the member receives full back pay, including normal salary increases, then the contribution will be computed on the base salaries that the employee would have earned for the reinstated period of suspension or termination.
2. If the settlement is less than full back pay, the pension contributions will be based upon the salary that the member was receiving for pension purposes, prior to the suspension or termination of employment.

If the amount of back payment awarded is insufficient to deduct the value of the normal pension contributions due, such contributions shall be paid by the member.

## EMPLOYER'S RESPONSIBILITIES

The certifying officer is responsible for providing the Division of Pensions and Benefits with the following:

1. A letter attesting to the base salary or salaries to be used to compute pension contributions.
2. A copy of the resolution or legal document that details the terms of the settlement. This settlement agreement must specifically state:
  - a. **That an award of back pay has been made to the member.**
  - b. **The amount of back pay.**
  - c. **The dates covered by the award.**

This information, along with pension and contributory life insurance premiums, if applicable, should be sent

to the attention of the Supervisor of the Audit Section, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. The Division cannot process a settlement agreement that does not contain this required information.

Members of the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System who are covered under the contributory group life insurance must remit life insurance premiums. These premiums are computed on the same base salary as the pension contributions and remitted in the same manner as described above.

Once the required information and contributions have been received and audited, the member will be credited with service for the period covered by the award.

To determine the pension contributions due, you should use the appropriate base salary(ies) as previously explained in "Awards of Back Pay". **The pension rate to be used is determined by the rate in effect for the reinstated period.** For example, a local PERS member appealed his August 1, 2004 termination, and on March 1, 2005, he was ordered reinstated with full back pay. The member's full pension rate in effect on August 1, 2004 was 3% and on January 1, 2005 increased to 5%. The annual base salaries for the reinstated period were \$24,000 for August through November, and \$25,500 from December through February. Pension contributions would be computed as shown in the following example:

Period 2004/05	Base Salary	Pension Rate*	Total Pension Contribution Due
August	\$2,000	3%	\$60.00
September	\$2,000	3%	\$60.00
October	\$2,000	3%	\$60.00
November	\$2,000	3%	\$60.00
December	\$2,125	3%	\$63.75
January	\$2,125	5%	\$160.25
February	\$2,125	5%	\$160.25
TOTAL	\$14,375	—	\$516.25

\* For awards to members of PERS or TPAF covering 7-1-96 through 1-1-05, refer to the charts on page 2.

For awards to members of PFRS use 8.5%.

For awards to members of SPRS use 7.5%.

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In the example, both the base salary and the pension rate were determined by the period of time covered by the reinstatement.

**PERS AND TPAF MEMBERS ONLY**

Chapter 62, P.L. 1994, eliminated the 2% Social Security offset in employee pension contributions as of July 1, 1995, and established a flat 5% pension rate of contribution. The 5% rate took effect for employees enrolled on or after July 1, 1994. The law provided for a gradual implementation of the new rate for members enrolled prior to July 1, 1994. As of July 1, 1995, if the full rate was 6% or more, it was changed to 5%. If the

full rate was less than 6%, it was changed to 4% as of July 1, 1995, and 5% as of July 1, 1996. In accordance with Chapter 115, P.L. 1997, the member rate was lowered to 4.5% as of January 1, 1998.

Chapter 115, P.L. 1997 made possible a one-time accounting change which resulted in the systems being fully funded. Beginning January 1, 1998, employee pension contributions for the PERS and TPAF were reduced for calendar years 1998 and 1999, and for calendar year 2000 for the TPAF, from 5% to 4.5%. Effective January 1, 2005 the TPAF member contribution rate returned to 5% of pensionable salary.

DATES FOR CHANGES TO CONTRIBUTION RATES				
PERS/TPAF MEMBERS	JULY 1, 1994	JULY 1, 1995	JULY 1, 1996	JULY 1, 1998
Enrollment date before July 1, 1994.	No change in rate or Social Security offset.	If full rate was 6% or more, the rate changed to 5%. If full rate was less than 6%, the rate changed to 4%. 2% Social Security offset eliminated.	Rate remained 5%.  Rate increased to 5%.	4.5%
Enrollment date July 1, 1994 or later.	Rate of contribution set at 5%. No Social Security offset.	Rate of contribution set at 5%. No Social Security offset.	Rate of contribution set at 5%. No Social Security offset.	4.5%

Chapter 415, P.L. 1999, reduced the PERS pension contribution rate from 4.5 % (the reduced rate under Chapter 115, P.L. 1997) to 3 % of pensionable salary. The rate change was effective January 1, 2000 and

remained in effect until July 1, 2004 for State PERS members and until January 1, 2005 for local PERS members when contribution rates returned to the full 5% of pensionable salary.

PERS MEMBERS ONLY	JANUARY 1, 2000	JULY 1, 2004	JANUARY 1, 2005
	3% All PERS members	5% for State PERS members	5% for local PERS members

If you have questions concerning settlement, please contact the Audit/Billing Section at (609) 292-3630.

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